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TOP SECRET

Page Denied

SUMMARY

SOVIET UNION

1. Molotov may be retired as Soviet foreign minister before October conference (page 3).

FAR EAST

2. Resignation of Sun Li-jen may weaken Chinese Nationalist regime (page 3).

SOUTHEAST ASIA

3. Viet Minh changes attitude toward American consular personnel (page 4).

25X1

EASTERN EUROPE

5. Comment on planned expansion of Yugoslav-Soviet trade (page 5).

SOVIET UNION

1. Molotov may be retired as Soviet foreign minister before October conference:

Bulganin said at Geneva that "perhaps it will be necessary to get rid of Molotov as foreign minister before the October conference,"

It is improbable that there are any serious policy disagreements between Molotov and the other Soviet leaders and he will probably, therefore, retain his position on the party presidium.

Gromyko, as the senior first deputy foreign minister, would appear the most likely candidate to succeed Molotov. If the USSR wishes to repudiate the "hard" approach to foreign relations, however, Gromyko might be passed over for someone more "reasonable" and conciliatory, such as Molotov's other first deputy, V. V. Kuznetsov.

FAR EAST

2. Resignation of Sun Li-jen may weaken Chinese Nationalist regime:

General Sun Li-jen, who was forced to resign on 29 July, as personal chief of staff to Chiang Kai-shek, told the American chargé in Taipei on 30 July he expected

to be arrested on charges of involvement in an army plot to stage a mass protest demonstration during a presidential review on 6 June. Sun said that "confessions" implicating him had been extracted by torture from young officers seized when their plan was discovered.

The chargé believes that the detention of Sun would not only damage the prestige of Nationalist China in the United States and elsewhere,

particularly among Overseas Chinese, but would arouse "dis-sension if not disaffection" in the Nationalist army. It would also provide the Chinese Communists with a propaganda bonanza in their campaign to induce defections from the Nationalists.

Comment: General Sun has the reputation of being the most competent officer in the Chinese Nationalist army. He has been outspokenly critical of the dictatorial qualities of the generalissimo and the Nationalist regime. His following in the army has probably been reduced since he was relieved as ground force commander last year and may be confined to younger officers at division level and below.

Should the younger officers attempt a coup at some future date, they might receive support from officers in the Nationalist high command who are anxious to remove the unpopular Peng Meng-chi as chief of staff.

SOUTHEAST ASIA

3. Viet Minh changes attitude toward American consular personnel:

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The American consul in Hanoi reports that the attitude of Viet Minh officials involved in the registration of consulate personnel changed from surliness on 27 July to affability on 30 July. The British vice consul has also experienced this change. The Communists are no longer denying status to the consulate and have begun to deliver mail, including an official Viet Minh document addressed to the "Consul of the United States of America."

Comment: Since assuming control of Hanoi in February, the Viet Minh has constantly harassed the consulate. Efforts to force the withdrawal of the consulate evidently have been put aside in order to bring Viet Minh policy in line with that of Peiping and Moscow.

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EASTERN EUROPE

5. Comment on planned expansion of Yugoslav-Soviet trade:



Yugoslavia announced on 30 July a supplementary trade agreement with the USSR which will increase trade between the two countries in 1955 from \$10,000,000 to \$16,000,000 each way. This increase will bring Yugoslavia's planned over-all trade with the Soviet bloc to \$52,250,000 each way, or to approximately 17 percent of its total annual foreign trade.

2 Aug 55

CURRENT INTELLIGENCE BULLETIN

Page 5

25X1

Yugoslavia may have sought this increase in trade with the USSR because of the deterioration in its balance of payments position. Belgrade is still being forced to use some of its available financial resources in the West for the import of food-stuffs. The shortage of food has recently necessitated an increase in domestic prices.

Tito will probably show increasing interest in Soviet bloc trade as a means of obtaining a balance between exports and imports, thereby avoiding the credit problems connected with trade with the West. Tito's speech on 27 July revealed considerable concern over Yugoslavia's economic situation.